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SIPDIS

STATE FOR EUR/SE AND EB/IFD
TREASURY FOR INTERNATIONAL AFFAIRS - CPLANTIER

SENSITIVE

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SUBJECT: MIXED PICTURE ON TOURISM NUMBERS

REF: (A) Ankara 1460 (B) ISTANBUL 527

¶11. (SBU) SUMMARY: In response to an 11.5 percent year-on-year drop in first-quarter tourist arrivals, Minister of Culture and Tourism Atilla Koc admitted that Turkey will not meet its goal of 26 million tourists in 2006. Tourism is both a key generator of jobs and a vital source of foreign exchange receipts. In terms of revenues, the first quarter tourism receipts equaled those from a year earlier. Although earlier predictions of a bad year are unlikely to materialize, flat tourism revenues will not help offset the growing trade and current account deficits. Ministry officials met with sector representatives in April and developed a four-part action plan to bolster the industry and promote domestic tourism, while foreign tour operators encouraged Turkish officials to preserve natural landscapes. End summary.

FLAT REVENUES BUT FEWER TOURISTS

¶12. (SBU) According to an April 27 Turkey Statistics Institute (TUIK) report, the number of tourists in the first quarter fell to 2.2 million, an 11.5 percent year-on-year drop. Separately, the Turkish Tourism Investors Association (TYD) reported that European tourism bookings for summer holidays in Turkey have fallen 40 percent year-on-year. Though Istanbul-based tourism has remained strong (ref B), on April 17, Turkish Tourism Minister Atilla Koc admitted that he does not expect to meet the ministry's original national goal of 26 million tourists in 2006, but said he hopes to attract at least the 21 million that Turkey attracted in 2005.

¶13. (SBU) On a revenues basis, however, TUIK and the Central Bank report that revenues were basically flat in comparison to the first quarter of 2005: tourism revenues rose 0.4 percent year-on-year in the first quarter of 2006. Revenues rose to USD 2.002 billion from USD 1.994 billion a year earlier.

MINISTRY, INDUSTRY DEVELOP FOUR-STAGE PLAN

¶14. (SBU) Following the drop in tourist numbers, Koc met with sector representatives to develop a four-stage action plan to further develop Turkish tourism and stimulate a return to growth in the sector. Under the plan, the Ministry will establish a research and development department to conduct national and international tourism studies. The plan also encourages cooperation between public and private sectors in promotion activities, including domestic and international tourism fairs. In an effort to encourage the Turkish public to spend their holidays in country, domestic tourists would be given the option of early reservation and payment in installments. Finally, all lodging sector personnel will receive European Union (EU) certification project training. Koc also discussed the Ministry's plan to expand Turkey's cultural, thermal, winter, and conference tourism possibilities.

FOREIGN TOUR OPERATORS WEIGH IN

¶15. (SBU) In an April 24 meeting with Turkish tourism officials in Antalya, foreign tour operators recommended that Turkey emphasize protection of nature and increase internet sales. Thomas Bosl, general manager of German tourism firm QTA, told the officials that Turkey has an enormous potential to expand its tourism sector, but cautioned against the increase in concrete construction along the coastline. He noted that German tourists, one of the most important sources of tourism revenue in Turkey, preferred smaller hotels to large ones, and he warned that the big, newly

constructed concrete hotels along the Lara coast in Antalya may block the beauty of the coastline and discourage tourists in the future.

BLEAK 2006 INCREASINGLY UNLIKELY

16. (SBU) These two recent summits are a promising sign that the GOT will take measures to try to sustain the growth in tourism revenue. Tourism is a key sector for the Turkish economy for two reasons: it creates badly-needed jobs and is a key source of foreign exchange in the balance of payments. Given that Turkey consistently and increasingly runs a trade deficit, net tourism receipts are a critical service export that mitigates the severity of the growing current account deficit. In 2005, for example, tourism revenues totaled \$18 billion, compared to exports of goods of \$73 billion and a \$23 billion current account deficit.

17. (SBU) The number of arrivals are down but the fact that revenues are holding to the record 2005 level suggests earlier predictions of a disastrous year for tourism are increasingly unlikely to materialize. Though there may be weak sales in certain resorts, overall tourism receipts so far suggest that 2006 receipts will not be that different from 2005. On the other hand, in a context of a widening trade deficit, the absence of growth in tourism receipts means the increase in the trade deficit will translate into an increase in the current account deficit. With most economists now projecting a much larger 2006 current account deficit than the \$22 billion projected in the IMF program, growth in the tourism sector will be sorely missed.

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